

**Legislative Interim Report
Public Retirement Systems Committee
October 23, 2013**

Board of Trustees
Municipal Fire and Police Retirement System of Iowa
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Establishment, Governance, and Goals

Established

January 1, 1992 by an Act of the 1990 Iowa General Assembly – Iowa Code Chapter 411.

Governance

Four representatives of the membership – Two firefighter representatives and two police representatives:

Judy Bradshaw, active police officer, Des Moines (Chairperson)

June Anne Gaeta, active firefighter, Muscatine

Frank Guihan, retired firefighter, West Burlington

Marty Pottebaum, retired police officer, Sioux City

Four representatives of the participating cities:

P. Kay Cmelik, Grinnell

Duane Pitcher, Ames

Scott Sanders, Des Moines

Jody E. Smith, West Des Moines

One private citizen selected by the Board of Trustees:

Mary Bilden, CPA, Boone (Vice Chairperson)

Establishment, Governance, and Goals

Governance, continued

Two Senators from the Iowa Senate and two Representatives from the Iowa House of Representatives. All four legislative members are non-voting participants.

Senator Wally E. Horn, Cedar Rapids

Senator Ken Rozenboom, Oskaloosa

Representative Scott Ourth, Ackworth

Representative Jason Schultz, Schleswig

Goals

1. Consistent application of the benefit statute.
2. Develop a long-term funding strategy.
3. Continue to improve the appearance and quality of member communications.
4. Improve the risk/return performance on portfolio assets.
5. Survey membership to obtain information on client service.

Responsibilities & Major Activities of MFPRSI

Program Responsibilities

- Collection of member and employer contributions.
- Pre-retirement and refund counseling.
- Administration of a permanent disability program.
- Execution of regular benefit and refund payrolls.
- Compliance with federal legal/tax requirements.
- Implementation of a diversified investment policy.
- Application of statutory provisions (including marital and dependent provisions).
- Extensive member communications.

Responsibilities & Major Activities of MFPRSI

Major Program Activities

- Systematic Investment Policy Revisions (asset – liability forecasting).
- Annual Investment Policy Implementation and Oversight (scheduled meetings, quarterly updates).
- Review and Evaluation of Goals.
- Examination of Actuarial Experience and Adjustment of Assumptions (SilverStone Group) every five years.
- Legislative Changes (Technical advice and implementation).
- Escalator Program (Annual retiree adjustment – July 2013, 3522 individuals, \$71.88 per month, 2.4% increase).
- Federal Legislative Interest in Public Funds (Monitor and comment as warranted).
- Litigation Representation (District, Appeals, and Iowa Supreme Court).
- DROP Implementation in 2007 – nearly 50% of those eligible have participated.

Responsibilities & Major Activities of MFPRSI

Major Program Activities

- Federal PPA of 2006 (Retiree income tax exclusion, up to \$3000, for health insurance – Sept. 2007).
- Annual Comprehensive Review of Audit Controls and Safeguards for System's Portfolios.
- Conduct Annual Actuarial Valuation of Benefit Program and establish Contribution Rates.
- Cancer and Infectious Disease Presumption Report.
- Maintain System's tax exempt status by obtaining IRS Determination Letter.
- Inform member through comprehensive communications program.

Program Description & Statistics

Membership Profile as of July 1, 2013

Active Members

Number	3,866
Average Age	40.8
Average Past Service	13.5
Annual Participating Payroll, Total	\$258,425,211
Annual Participating Payroll, Average	\$66,846

Members & Beneficiaries in Pay

Number	3,862
Average Age	68.9
Annual Participating Payroll, Total	\$133,363,968
Annual Participating Payroll, Average	\$34,532
Average Age of New Service Retirements	57.7

Non-Active Members with Deferred Benefits

Number	315
Average Age	44.6
Annual Participating Payroll, Total	\$5,353,716
Annual Participating Payroll, Average	\$16,996

Data provided by July 1, 2013, actuarial report created by SilverStone Group.

Program Description & Statistics

Benefit Program Description - Retirement Formulas

Basic Service Retirement Formula (22 years of service)	66%
Additional credit (up to 8 years beyond 22 years – 2% per year)	16%
Maximum retirement formula with 30 or more years of service	82%
Basic Accidental Disability Retirement Formula (work-related)*	60%
Basic Ordinary Disability Retirement Formula*	50%

*An individual retiring on disability is entitled to either the disability formula or the percentage payable corresponding to the number of years of service that the individual has earned.

Membership Cities

Ames	Ankeny	Bettendorf	Boone	Burlington	Camanche	<i>Carroll</i>	Cedar Falls
Cedar Rapids	Centerville	Charles City	Clinton	<i>Clive</i>	Council Bluffs	Creston	Davenport
Decorah	Des Moines	<i>DeWitt</i>	Dubuque	<i>Estherville</i>	<i>Evansdale</i>	Fairfield	Ft. Dodge
Ft. Madison	Grinnell	<i>Indianola</i>	Iowa City	Keokuk	Knoxville	<i>LeMars</i>	<i>Maquoketa</i>
Marshalltown	Mason City	Muscatine	Newton	Oelwein	Oskaloosa	Ottumwa	Marion
Sioux City	Spencer	Storm Lake	Urbandale	Waterloo	Waverly	Webster City	<i>Pella</i>
West Des Moines							

Italics denote police department participation only.

Program Description & Statistics

Benefit Activity Since the Creation of MFPRSI

Comparison of Rates of Activity

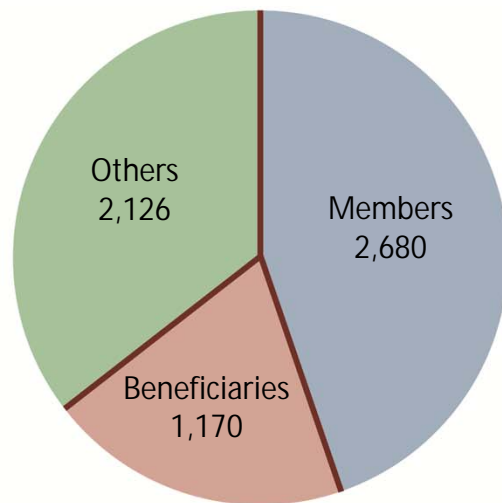
	Experience Prior to Consolidation January 1987 – December 1991 (5 years)		Experience Since Consolidation January 1992 – June 2013 (21.5 years)	
	Number	Average per Year	Number	Average per Year
Service Retirements	223	44.6	1,436	66.8
Disability Retirements*	278	55.6	874	40.7
Refunds Paid	0	0	1,321	61.4
Totals	501	100.2	3,631	168.9
Distribution of Disability Retirements				
Accidental Disability (service)	238	47.6	720	33.5
Ordinary Disability (non-service)	40	8.0	154	7.2
Totals	278	55.6	874	40.7

*A review of the disability rate experienced by MFPRSI versus the rate at the 87 prior local systems shows that the rate is significantly lower under the statewide System, an average of 15 fewer disabilities per year. The plan's benefit liability is substantially lower due to this lower rate of disability.

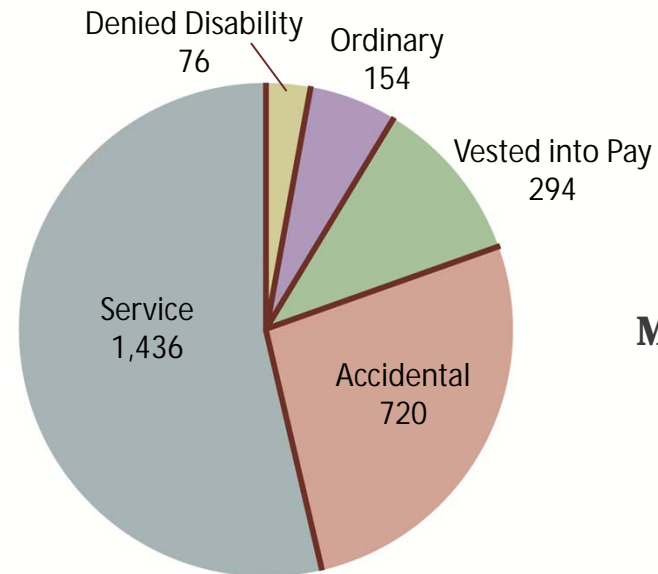
Program Description & Statistics

Total Benefit Activity Since Inception January 1, 1992 – June 30, 2013

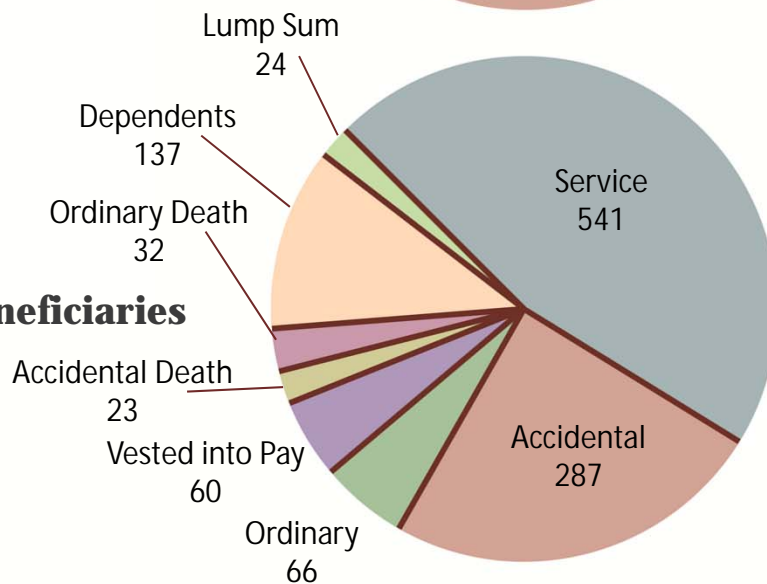
Total Activity



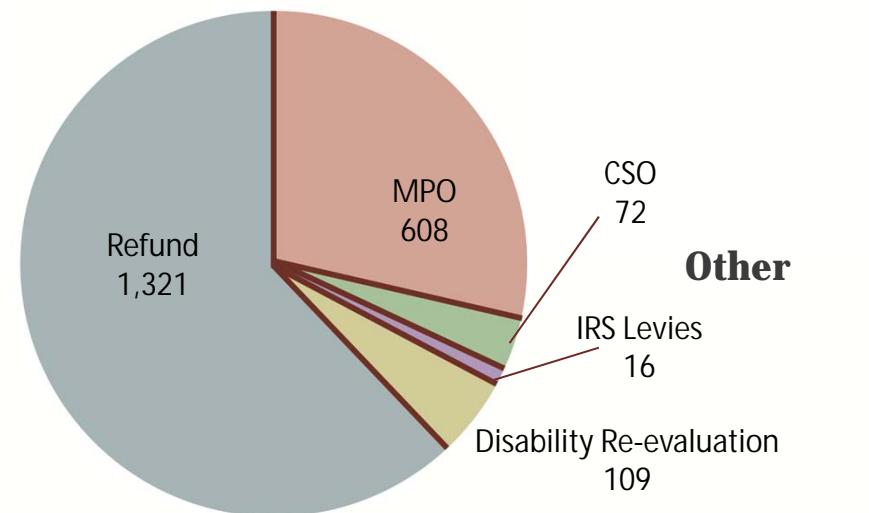
Members



Beneficiaries



Other

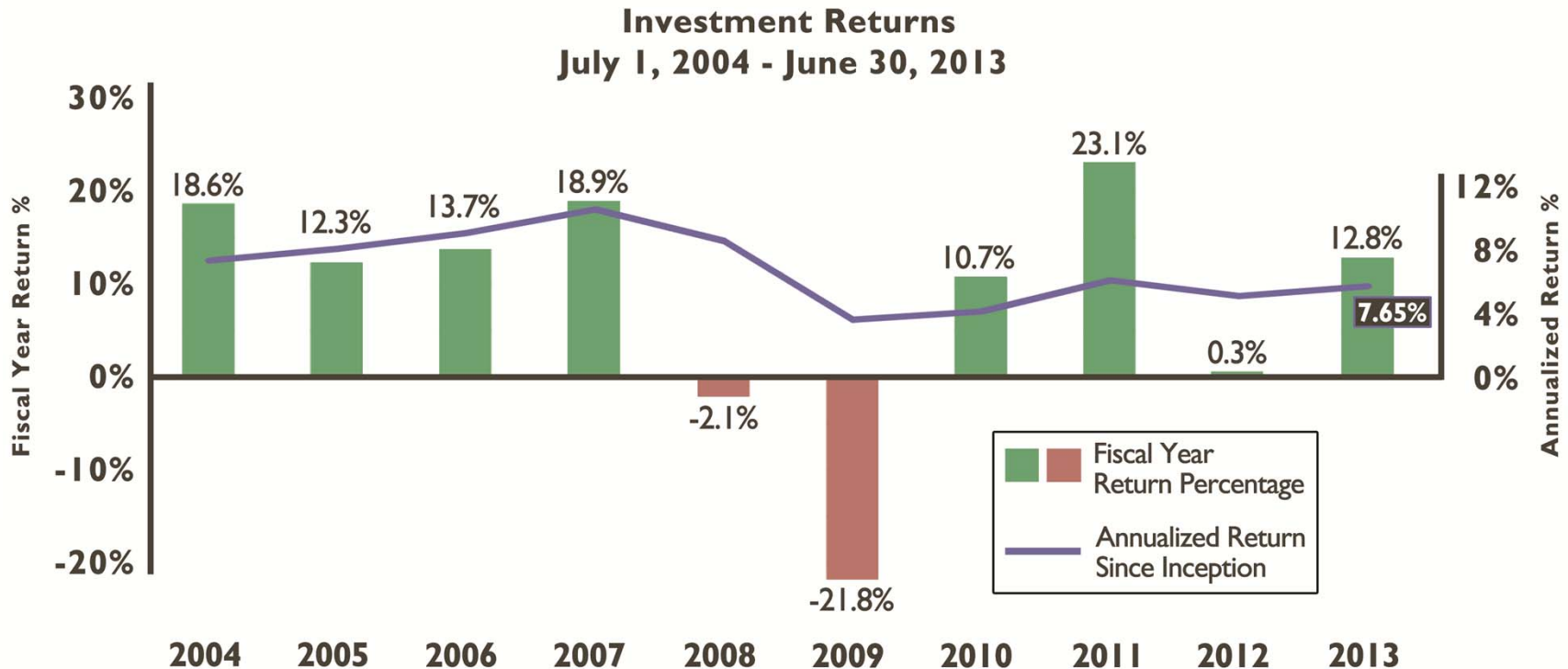


Program Description & Statistics

Assets and Investments

- Initial transfer liability January 1, 1992: \$574,500,000
- Market value of MFPRSI's assets, June 30, 2013: \$1.971 billion, a positive change of \$180 million year over year according to Summit Strategies.

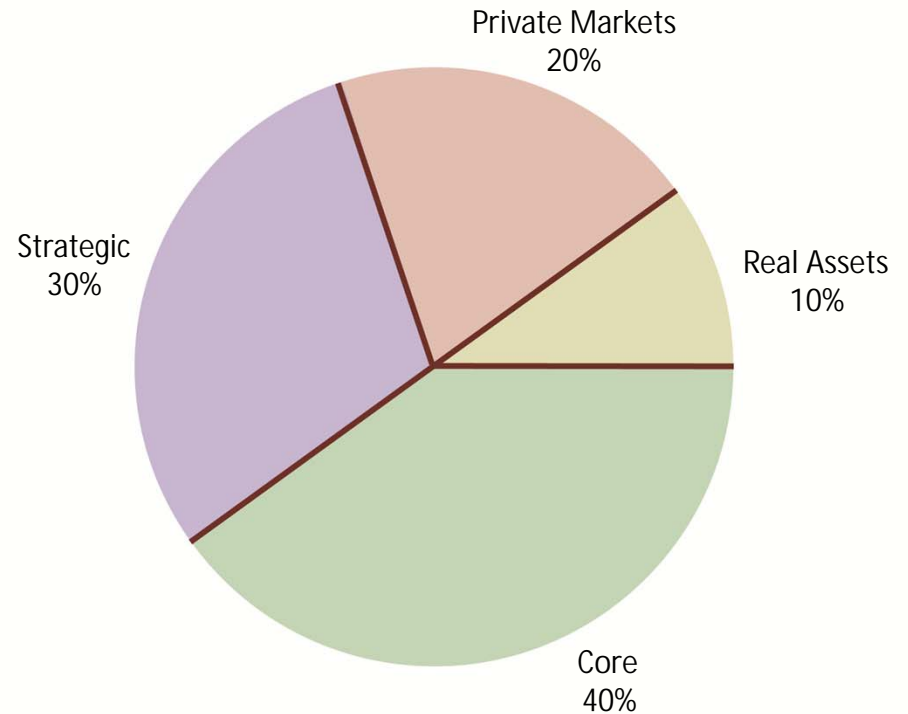
Investment performance of MFPRSI's portfolio, according to Summit Strategies:



Program Description & Statistics

Current Investment Allocation Policy

Core Investments	40%
Strategic Investments	30%
Private Market Investments	20%
Real Asset Investments	10%
Total Allocation	100%



Performance and Risk Expectation

Plan Performance Expectation %	7.8%	Rate of Inflation %	2.5%
Risk (Standard Deviation) %	13.2%	Actuarial Return Assumption %	7.5%

Performance expectation and risk projection based upon Summit Strategies' 2012 assumptions.

Challenges Facing MFPRSI

Investment Return Expectations

Achievement of long-term investment returns that surpass the annual assumed rate of 7.5% for the retirement system. The board of trustees is currently conducting an asset/liability study through which changes will be implemented to the asset allocation of the portfolio in order to obtain the assumed rate of return while taking on a lower level of risk than the present allocation. This can be achieved through additional diversification of investments into new asset classes. Recently, the trustees authorized allocations into master limited partnerships (MLPs) and emerging market debt investments to further diversify the portfolio. New investment management firms were hired by the trustees to implement these new strategies.

Challenges Facing MFPRSI

Financial Status of the Plan

The board of trustees is conducting a study with the retirement system's actuarial consultant to develop a strategy to improve the funding status of the plan. The decline in the investment markets during 2007-2008 caused a substantial reduction in MFPRSI's funded status. In order to mitigate the effect of these significant losses on the plan, the 2007-2008 losses have been smoothed-in to the calculation of the cities' contribution rates over a 5-year timeframe.

The July 1, 2013 actuarial valuation report recognized the fifth and final portion of those losses; therefore, it is anticipated that beginning in 2014 actuarial valuations will reflect improved funding of the plan. Despite this improved outlook, a plan needs to be developed to improve funding while maintaining level and consistent contribution rates for the cities. In an attempt to achieve this goal, the trustees will work toward developing a strategy, based on current actuarial assumptions, that will get the funded status of the plan to near full funding over a 25-year period.

Funding Policy

The Board of Trustees is developing a funding policy with the goal of fully funding the System over a 25-year period using a steady contribution rate.

Challenges Facing MFPRSI

Implementation of Complex Programs

Implementation of a number of complex programs, including:

1. Regular review of the pre-employment medical protocols and activities of the medical examination network.
2. Evaluation of the investment activities of the firms currently managing MFPRSI's portfolios and review of asset allocation.
3. Development of legislative reports in response to the requests of Committees or individual legislators.
4. Administration of the DROP program and of the PPA of 2006.
5. Maintain MFPRSI's tax-qualified status by filing necessary documentation with the IRS in 2014 to obtain a favorable determination letter.
6. Review of the operational controls and audit processes of the investment managers.
7. Integrating GASB 67 and 68 into annual financial statement preparation.
8. During fiscal year 2014, obtain professional services to perform a peer audit on the System's July 1, 2013, actuarial valuation report as produced by the consulting actuary.

Legislative Activities

Statutory Changes

During the 2013 legislative session the General Assembly passed, and the Governor signed into law, Senate File 327 which contained the board of trustees recommendations for statutory technical revisions to Iowa Code Chapters 400 and 411 as follows:

1. Appointment of City Representative – Eligible Positions.
2. Spousal Consent on Refunds.
3. Death or Disability While on Military Leave.
4. ILEA and Chapter 411 Protocol Conflicts.
5. IRS Qualified Plan Report Items.

Legislative Activities

Funding Change

As required by statute, the board of trustees provided the General Assembly with MFPRSI's Financial Evaluation Report in January 2013. The report included the board's recommendation that the State resume its contribution to the retirement system at a rate of 3.79% of earnable compensation.

This recommendation would reinstate the funding agreement between the State and participating cities dating back to 1976. A bill reflecting this recommendation, S.F. 378 sponsored by Senator Danielson, did not pass in the 2013 legislative session. The board of trustees plans to have an identical bill introduced during the 2014 session.

Note: Additional items may be recommended by the board if identified in future months during the development of a funding policy.

GASB Summary

GASB Summary of Statement 67

This Statement requires defined benefit pension plans to present two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position. In addition, defined benefit pension plans also should follow all accounting and financial reporting requirements of other standards, as applicable.

The notes to financial statements of defined benefit pension plans should include descriptive information, such as the types of benefits provided, the classes of plan members covered, and the composition of the pension plan's board. Such pension plans also should disclose information about pension plan's investments, including investment policies, a description of how fair value is determined, concentrations of investments with individual organizations equaling or exceeding 5 percent of the pension plan's fiduciary net position, and the annual money-weighted rate of return on pension plan investments.

The defined benefit plan's net pension liability is measured as the total pension liability (defined as total accrued liabilities) less the amount of the pension plan's fiduciary net position.

The effective date for the reporting requirements of GASB Statement 67 is the fiscal year ending June 30, 2014.

GASB Summary

GASB Summary of Statement 68

This Statement requires MFPRSI to calculate a Net Pension Liability for the total Fund and then pro rate this amount to each participating employer based on their portion of contributions in relation to the total amount of contributions paid. Net Pension Liability is the difference between the total accrued liabilities of the Fund and the actuarial value of assets. Assuming that liabilities are greater than the assets of the Fund, the amount reported to each participating employer will be a liability which the City will be required to report on their financial statements along with their other long-term liabilities.

In addition to reporting their portion of the Net Pension Liability, each participating employer will be required to report the following in their financial statements:

- Descriptions of the pension plan(s) and the benefits provided.
- Disclosure of significant assumptions employed in the measurement of the Net Pension Liability.
- Disclosure of assumptions related to the discount rate.
- Disclosure of what the participating employer's proportionate share of the Net Pension Liability would be if a discount rate one percentage point higher and a rate one percentage point lower had been used.
- A schedule consisting of ten years of data reporting the participating employer's proportionate share of the total Net Pension Liability, the employer's payroll amount, and the pension plan's funded ratio.

The effective date for the reporting requirements of GASB Statement 68 is the fiscal year ending June 30, 2015.

July 1, 2013, Actuarial Report

Contribution Rate Requirement

The contribution rate derived from this formula and approved by the Board will be implemented effective July 1, 2014.

Contribution Rate

Estimated Earnable Compensation	\$ 258,425,211
Estimated State's Contribution	\$0
Member's Contribution Rate	9.4%
Actuarial Calculated Rate for Cities	30.41%

Valuation of Assets & Liabilities

Market Value vs. Actuarial Value of Investment Assets

Market Value of Total Assets (Net)	\$ 1,964,266,618
Actuarial Value of Assets*	1,860,947,878
Actuarial Accrued Liability	2,518,228,578
Interest Rate Assumption	7.5%

*System utilizes 5-year rolling average to value assets for actuarial calculation.

July 1, 2013, Actuarial Report

MFPRSI Liabilities

The unfunded actuarial accrued liability is the amount the actuarial accrued liability exceeds the actuarial value of plan assets determined as of the actuarial valuation date.

Unfunded Actuarial Accrued Liability as of July 1, 2013

1. Actuarial Accrued Liability	
Active members	\$ 1,034,921,262
Inactive members	1,532,310,027
Total	<u>2,567,231,289</u>
2. Actuarial Value of Plan Assets	1,860,947,878
3. Unfunded Actuarial Accrued Liability before changes (Excess of #1 over #2)	706,283,411
4. Change in Actuarial Assumptions	(49,002,711)
5. Unfunded Actuarial Accrued Liability after change in assumptions (Excess of #3 plus #4)	657,280,700
6. 25-Year Level Dollar, Open Basis Amortization of Unfunded Actuarial Accrued Liability	\$ 54,851,249

July 1, 2013, Actuarial Report

MFPRSI Contributions

Annual Contributions as of July 1, 2013

Preliminary Total Contribution

1. Annual Normal Cost	\$ 48,020,046
2. Estimated Member Contributions	24,291,790
3. 25-Year Amortization of Unfunded Actuarial Accrued Liability	54,851,249
4. Total (Cities plus State) Contribution = #1 - #2 + #3	78,579,325

Cities' Contribution

5. Preliminary Total Contribution = #4	78,579,325
6. Estimated State Contribution	0
7. Preliminary Cities' Contribution = #5 - #6	78,579,325
8. Covered Payroll	258,425,211
9. Cities' Contribution as a percent of payroll = #7 / #8	30.41%
10. Minimum required contribution rate for Cities	17.00%
11. Cities' Contribution = Greater of #9 x #8 or #10 x #8	\$ 78,587,107

Funded Ratio

Current and Projected Funded Ratio of the Plan

The following information is provided to assist the Public Retirement Systems Committee in its deliberation concerning the Plan. Information provided is as of the July 1, 2013, actuarial valuation study. Responses are shown using the Entry Age Normal actuarial methodology, as adopted by the Board of Trustees beginning July 1, 2011.

Funded Ratio and Contribution Rates

Current Funded Ratio	
Entry Age Normal	74%
Contribution Rates	
Employee	9.4%
Employer - Actuarially determined each year. Minimum of 17%	
Fiscal Year 2013	30.12%
Fiscal Year 2014	30.41%
State Contribution	\$ 0
Contribution projection over 25 years, using an interest rate assumption of 7.5%	See following slides

Attachment 1: Actuarial Summary Report 2004 – 2013

DATE OF ACTUARIAL CALCULATION:	July 1, 13	July 1, 12	July 1, 11	July 1, 10	July 1, 09	July 1, 08	July 1, 07	July 1, 06	July 1, 05	July 1, 04
ACTUARIAL PRESENT VALUE (PV) OF "ACCUMULATED " PLAN BENEFITS (LIABILITIES)										
1. Actuarial Present Value of Accumulated Plan Benefits:	2,292,170,931	2,251,831,744	2,164,122,359	2,077,334,749	2,000,030,545	1,912,363,335	1,825,902,983	1,717,562,019	1,600,631,755	1,511,241,555
2. Actuarial Value of Assets	1,860,947,878	1,838,606,699	1,867,281,454	1,862,629,908	1,897,930,971	1,891,172,380	1,752,134,783	1,528,572,608	1,367,204,133	1,272,587,580
3. Unfunded Actuarial Present Value (Surplus): (1)-(2)	431,223,053	413,225,045	296,840,905	214,704,841	102,099,574	21,190,955	73,768,200	188,989,411	233,427,622	238,653,975
4. Funded Percentage on Actuarial Value: (2)/(1)	81.2%	81.6%	86.3%	89.7%	94.9%	98.9%	96.0%	89.0%	85.4%	84.2%
5. Market Value of Assets as Reported by System	1,964,266,618	1,785,228,513	1,829,405,667	1,534,412,575	1,434,583,769	1,885,733,999	1,953,613,434	1,658,428,273	1,469,753,955	1,323,691,524
6. Funded Percentage on Market Value: (5)/(1)	85.7%	79.3%	84.5%	73.9%	71.7%	98.6%	107.0%	96.6%	91.8%	87.6%
TOTAL LIABILITIES:										
1. PV of Future Benefits (Aggregate Method)				2,759,528,864	2,654,047,815	2,542,621,320	2,399,646,314	2,292,069,430	2,142,115,762	2,025,721,226
Actuarial Accrued Liability (Entry Age Normal Method)	2,518,228,578	2,493,849,016	2,858,553,784							
CONTRIBUTION RATE: ACTUARIAL RATE OF CONTRIBUTIONS										
1. Rate Required	30.41%	30.12%	26.42%	25.38%	20.98%	17.72%	20.04%	26.81%	29.15%	29.68%
2. State Contribution in Dollars	-	-	750,000	1,500,000	2,503,510	2,745,784	2,745,784	2,745,784	2,745,784	2,745,784
State Contribution in Percent	0.00%	0.00%	0.30%	0.62%	1.08%	1.23%	1.29%	1.33%	1.40%	1.47%
3. Cities Rate Calculated	30.41%	30.12%	26.12%	24.76%	19.90%	16.49%	18.75%	25.48%	27.75%	28.21%
When below 17%, pay at statutory minimum rate of 17.0%										
4. Cities Rate Payable	30.41%	30.12%	26.12%	24.76%	19.90%	17.00%	18.75%	25.48%	27.75%	28.21%
5. Member Contribution Rate	9.40%	9.40%	9.40%	9.40%	9.40%	9.35%	9.35%	9.35%	9.35%	9.35%
INVESTMENT RETURN										
1. Investment Return	12.84%	0.33%	23.07%	10.73%	-21.76%	-2.10%	18.90%	13.70%	12.30%	18.60%

Attachment 2: Contribution Rate 25-Year Forecast

Municipal Fire & Police Retirement System of Iowa Forecast of Contribution Rates and Funded Status (Amounts in Thousands)

Valuation Date	7/1/2013	7/1/2014	7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022
Actual Prior Year										
Investment Return on Assets										
- Market Value	N/A	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
- Actuarial Value	N/A	10.65%	9.73%	7.23%	8.44%	7.50%	7.50%	7.50%	7.50%	7.50%
Covered Payroll	258,425	270,054	281,532	293,497	305,970	318,974	332,531	346,663	361,396	376,756
Current Entry Age Normal Method 25-Year Amortization Period of UAL Level Dollar, Open Basis										
Actuarial Accrued Liability	2,518,229	2,612,587	2,709,046	2,807,365	2,907,397	3,008,966	3,111,866	3,215,861	3,320,677	3,426,001
Asset Values										
- Market Value	1,964,267	2,064,477	2,170,224	2,272,973	2,372,931	2,474,266	2,574,795	2,675,874	2,777,379	2,879,004
- Actuarial Value	1,860,948	2,011,300	2,157,473	2,253,461	2,372,931	2,474,266	2,574,795	2,675,874	2,777,379	2,879,004
Funded Ratio (Actuarial Value Assets)	73.90%	76.98%	79.64%	80.27%	81.62%	82.23%	82.74%	83.21%	83.64%	84.03%
Contribution Rates (% of Payroll)										
- Cities	30.41%	27.76%	25.53%	24.93%	23.76%	23.17%	22.66%	22.18%	21.73%	21.30%
- Members	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%
- State	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Total	39.81%	37.16%	34.93%	34.33%	33.16%	32.57%	32.06%	31.58%	31.13%	30.70%
Assumptions and Data										
Interest Rate	7.5%	Non-Investment Expense Growth		4.0%						
Active Members		Census Data								
- Population Growth	0.2%	- As of July 1, 2013								
- Average Age	40.8	Asset Data								
- Average Service	13.5	- As of July 1, 2013								

October 4, 2013

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Attachment 2: Contribution Rate 25-Year Forecast

Municipal Fire & Police Retirement System of Iowa Forecast of Contribution Rates and Funded Status (Amounts in Thousands)

Valuation Date	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028	7/1/2029	7/1/2030	7/1/2031	7/1/2032
Actual Prior Year										
Investment Return on Assets										
- Market Value	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
- Actuarial Value	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Covered Payroll	392,768	409,460	426,862	445,004	463,917	483,633	504,188	525,616	547,954	571,242
Current Entry Age Normal Method 25-Year Amortization Period of UAL Level Dollar, Open Basis										
Actuarial Accrued Liability	3,531,477	3,636,699	3,741,211	3,844,498	3,945,980	4,045,010	4,140,863	4,232,730	4,319,712	4,400,810
Asset Values										
- Market Value	2,980,408	3,081,169	3,180,819	3,278,836	3,374,687	3,467,688	3,557,132	3,642,181	3,721,965	3,795,524
- Actuarial Value	2,980,408	3,081,169	3,180,819	3,278,836	3,374,687	3,467,688	3,557,132	3,642,181	3,721,965	3,795,524
Funded Ratio (Actuarial Value Assets)	84.40%	84.72%	85.02%	85.29%	85.52%	85.73%	85.90%	86.05%	86.16%	86.25%
Contribution Rates (% of Payroll)										
- Cities	20.89%	20.50%	20.14%	19.79%	19.46%	19.14%	18.84%	18.56%	18.29%	18.02%
- Members	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%
- State	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Total	30.29%	29.90%	29.54%	29.19%	28.86%	28.54%	28.24%	27.96%	27.69%	27.42%
Assumptions and Data										
Interest Rate	7.5%	Non-Investment Expense Growth		4.0%						
Active Members		Census Data								
- Population Growth	0.2%	- As of July 1, 2013								
- Average Age	40.8	Asset Data								
- Average Service	13.5	- As of July 1, 2013								

October 4, 2013

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Attachment 2: Contribution Rate 25-Year Forecast

Municipal Fire & Police Retirement System of Iowa Forecast of Contribution Rates and Funded Status (Amounts in Thousands)

Valuation Date	7/1/2033	7/1/2034	7/1/2035	7/1/2036	7/1/2037	7/1/2038
Actual Prior Year						
Investment Return on Assets						
- Market Value	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
- Actuarial Value	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Covered Payroll	595,520	620,830	647,215	674,722	703,397	733,292
Current Entry Age Normal Method 25-Year Amortization Period of UAL Level Dollar, Open Basis						
Actuarial Accrued Liability	4,474,914	4,540,797	4,597,100	4,642,323	4,674,811	4,692,739
Asset Values						
- Market Value	3,861,747	3,919,344	3,967,017	4,003,345	4,026,633	4,035,013
- Actuarial Value	3,861,747	3,919,344	3,967,017	4,003,345	4,026,633	4,035,013
Funded Ratio (Actuarial Value Assets)	86.30%	86.31%	86.29%	86.24%	86.13%	85.98%
Contribution Rates (% of Payroll)						
- Cities	17.77%	17.54%	17.31%	17.08%	17.00%	17.00%
- Members	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%
- State	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Total	27.17%	26.94%	26.71%	26.48%	26.40%	26.40%
Assumptions and Data						
Interest Rate	7.5%	Non-Investment Expense Growth		4.0%		
Active Members		Census Data				
- Population Growth	0.2%	- As of July 1, 2013				
- Average Age	40.8	Asset Data				
- Average Service	13.5	- As of July 1, 2013				

October 4, 2013

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Attachment 3: Alternative Statutory Actuarial Reporting

BUSINESS AND PERSONAL RESOURCE MANAGEMENT



September 28, 2013

Mr. Terry Slattery
Executive Director
Municipal Fire & Police Retirement System of Iowa
7155 Lake Drive, Suite 201
West Des Moines, IA 50266

RE: July 1, 2013 Alternative Actuarial Reporting to General Assembly

Dear Terry:

Enclosed are the results of the alternative actuarial valuation for the Municipal Fire & Police Retirement System of Iowa under common standards for General Assembly reporting. This reporting is based on the Entry Age Normal Cost Method as required for reporting to the General Assembly reflecting a level percent of pay amortization of the Unfunded Accrued Liability. We present below a summary of the July 1, 2013 actuarial valuation results under the current and alternative reporting and have also attached details of the calculation.

	Current Reporting	Alternative Reporting
Cities Contribution Rate		
- Prior to 17% Minimum	30.41%	20.53%
- After 17% Minimum	30.41%	20.53%
Cost Method	Entry Age Normal	Entry Age Normal
Amortization Period	25 Years	30 Years
Amortization Method	Level Dollar	Level Percent of Pay
Asset Valuation Method	5-Year Smoothing	5-Year Smoothing
Interest Rate	7.5%	7.5%
Inflation Growth*	N/A	N/A
Funded Ratio	73.90%	73.90%

Please note the funded ratio is determined by comparing the actuarial value of assets to the actuarial accrued liability for this reporting purpose. All other assumptions and methods are consistent with those used for the July 1, 2013 actuarial valuation.

* For current reporting purposes, there is no explicit inflation growth assumption. Inflation growth is implicitly part of the valuation interest rate and salary growth assumptions, but is not explicitly defined. Further, currently the annual escalator benefit for retirees and beneficiaries is a fixed percentage plus a fixed dollar amount per year, not based on inflation growth.

Please do not hesitate to call me if you have any questions or if we can be of additional assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Michael S. Ehmke'.

Michael S. Ehmke, ASA, EA, MAAA
Principal

Attachment 3: Alternative Statutory Actuarial Reporting

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

Current and Alternative Reporting As of July 1, 2013

Current Reporting*	Entry Age Normal (25 Yr Level \$)
1. Plan Liability- Actuarial Accrued Liability	2,518,228,578
2. Actuarial Value of Assets	1,860,947,878
3. Funded Ratio = (2)/(1)	73.90%
4. Unfunded Accrued Liability = (1)-(2)	657,280,700
5. 25-year Level Dollar Amortization of (4)	54,851,249
6. Normal Cost	48,020,046
7. Total (Cities plus State plus Members) Contribution = (5)+(6)	102,871,295
8. Estimated Member Contributions	24,291,970
9. Estimated State Contribution	0
10. Cities Contribution = (7)-(8)-(9)	78,579,325
11. Cities' Contribution Rate Prior to 17% Statutory Minimum = (10)/(Covered Payroll of \$258,425,211)	30.41%

Alternative Reporting**	Entry Age Normal (30 Yr Level %)
1. Plan Liability- Actuarial Accrued Liability	2,518,228,578
2. Actuarial Value of Assets	1,860,947,878
3. Funded Ratio = (2)/(1)	73.90%
4. Unfunded Accrued Liability = (1)-(2)	657,280,700
5. 30-year Level Percent of Pay Amortization of (4)	29,316,406
6. Normal Cost	48,020,046
7. Total (Cities plus State plus Members) Contribution = (5)+(6)	77,336,452
8. Estimated Member Contributions	24,291,970
9. Estimated State Contribution	0
10. Cities Contribution = (7)-(8)-(9)	53,044,482
11. Cities' Contribution Rate Prior to 17% Statutory Minimum = (10)/(Covered Payroll of \$258,425,211)	20.53%

*Current Reporting: Entry Age Normal Cost Method 25 Year Level Dollar Amortization of UAL,
7.5% interest rate, Eighth Year of Twelve Year Phase-in of 1994 GAM and Graded salary growth

**Alternative Reporting: Entry Age Normal Cost Method 30 Year Level Percent of Pay Amortization of UAL,
7.5% interest rate, Eighth Year of Twelve Year Phase-in of 1994 GAM and Graded salary growth

September 28, 2013

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